

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 5303-01  
Bill No.: SB 1043  
Subject: Insurance - Medical; Health Care Professionals; Insurance Dept.; Taxation and Revenue - Income; Taxation and Revenue - General; Licenses - Professional  
Type: Original  
Date: March 22, 2010

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Bill Summary:           Modifies several provisions of laws relating to health insurance.

**FISCAL SUMMARY**

| <b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>       |                                     |                                     |                                     |
|---|-------------------------------------|-------------------------------------|-------------------------------------|
| <b>FUND AFFECTED</b>                                      | <b>FY 2011</b>                      | <b>FY 2012</b>                      | <b>FY 2013</b>                      |
| General Revenue   | (Unknown exceeding \$89,463)        | (Unknown exceeding \$72,568)        | (Unknown exceeding \$74,389)        |
|   |                                     |                                     |                                     |
| <b>Total Estimated Net Effect on General Revenue Fund</b> | <b>(Unknown exceeding \$89,463)</b> | <b>(Unknown exceeding \$72,568)</b> | <b>(Unknown exceeding \$74,389)</b> |

| <b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>       |                                      |                  |                  |
|--|--------------------------------------|------------------|------------------|
| <b>FUND AFFECTED</b>                                   | <b>FY 2011</b>                       | <b>FY 2012</b>   | <b>FY 2013</b>   |
| County Foreign/County Stock                            | \$0*                                 | \$0*             | \$0*             |
| Insurance Dedicated                                    | (\$100,000)                          | \$0              | \$0              |
| Other  | (Unknown)                            | (Unknown)        | (Unknown)        |
| <b>Total Estimated Net Effect on Other State Funds</b> | <b>(Unknown exceeding \$100,000)</b> | <b>(Unknown)</b> | <b>(Unknown)</b> |

\* Loss and savings in premium taxes nets to \$0.

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 10 pages.

| <b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>                  |                  |                  |                  |
|---|------------------|------------------|------------------|
| FUND AFFECTED   | FY 2011          | FY 2012          | FY 2013          |
| Federal   | (Unknown)        | (Unknown)        | (Unknown)        |
|   |                  |                  |                  |
| <b>Total Estimated Net Effect on <u>All</u> Federal Funds</b> | <b>(Unknown)</b> | <b>(Unknown)</b> | <b>(Unknown)</b> |

| <b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b> |          |          |          |
|---|----------|----------|----------|
| FUND AFFECTED   | FY 2011  | FY 2012  | FY 2013  |
| General Revenue   | 2        | 2        | 2        |
|   |          |          |          |
| <b>Total Estimated Net Effect on FTE</b>                  | <b>2</b> | <b>2</b> | <b>2</b> |

☒ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

| <b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b> |                  |                  |                  |
|--|------------------|------------------|------------------|
| FUND AFFECTED                              | FY 2011          | FY 2012          | FY 2013          |
| <b>Local Government</b>                    | <b>(Unknown)</b> | <b>(Unknown)</b> | <b>(Unknown)</b> |

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## **FISCAL ANALYSIS**

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### **ASSUMPTION**

Officials from the **Department of Public Safety - Missouri State Highway Patrol** defer to the Missouri Department of Transportation for response regarding the potential fiscal impact of this proposal on their organization.

Officials from the **Missouri Department of Conservation (MDC)** state the proposed legislation would not appear to have a fiscal impact on MDC funds since it does not appear to apply to self-insured plans.

Officials from the **Office of Secretary of State (SOS)** state the fiscal impact for this proposal is less than \$2,500. The SOS does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the SOS can sustain within its core budget. Therefore, the SOS reserves the right to request funding for the costs of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the Governor.

Officials from the **Missouri Department of Transportation (DOT)** assume the proposal does not apply to self-insured plans and therefore would not impact the DOT/MHP Medical Plan. However, if the provisions of the proposal were to apply to the DOT, there could be a significant fiscal impact.

Officials from the **Department of Revenue (DOR)** state Section 135.349 would require the Personal Tax Division to employ one (1) Revenue Processing Technician (\$25,380 annually) for every 4,000 claims processed. In addition, this section would require the Corporate Tax Division to employ one (1) Revenue Processing Technician to handle the additional phone calls, correspondence and maintenance required by this new withholding tax credit.

The Office of Administration Technology (ITDS DOR) estimates the IT portion of this request at \$22,260 (840 FTE hours to make programming changes to various tax systems). Due to budget constraints, reduction of staff and limitations within the DOR's tax systems, changes cannot be made without significant impact to the department's resources and budget.

The DOR estimates a fiscal impact to the General Revenue Fund of \$101,561 for FY 11; \$84,162 for FY 12; and \$86,689 for FY 13.

ASSUMPTION (continued)

**Oversight** has, for fiscal note purposes only, changed the starting salary for the Revenue Processing Technicians to correspond to the second step above minimum for comparable positions in the state's merit system pay grid. This decision reflects a study of actual starting salaries for new state employees for a six month period and the policy of the Oversight Subcommittee of the Joint Committee on Legislative Research.

**Oversight** assumes the DOR would not need additional rental space for 2 new FTE.

Officials from the **Missouri Consolidated Health Care Plan (HCP)** state HCP allowing members 55 years and over to continue coverage under COBRA would fiscally impact HCP members. The HCP's actuaries would likely need to recalculate the COBRA premiums to be more like those offered to non-Medicare retirees and survivors. The monthly employee-only COBRA premium is \$511 with no HCP contribution.

The cost of this legislation is unknown due to the unpredictable number of enrollees who might migrate into the continuation program. Based on the difference between the non-Medicare retiree premiums and COBRA premiums, the HCP estimates that if 100 subscribers join, the yearly cost may be approximately \$123,000; if 200 subscribers join, approximately \$246,000; and if 500 subscribers join, approximately \$614,800. All of these costs may or may not be passed on to subscribers in the form of premium increases.

Under 376.437.3, HCP interprets this legislation to calculate the continuation premium using the following formula:  $[(\text{active employee premium} \times 102\%) + \text{employer contribution}]$ . The COBRA continuation coverage is calculated using this formula:  $[(\text{active employee premium} + \text{employer contribution}) \times 102\%]$ . This fiscal note was calculated using the current COBRA continuation formula. The cost to HCP would increase if the proposed legislation's formula is used.

**Oversight** assumes, for fiscal note purposes, that the state will absorb increases in the costs of insurance premiums as a result of this proposal. However, the legislature, during the budgetary process, the HCP Board, and the Missouri Highway Transportation Commission (MHTC) will determine if any or all of the increase in costs will be paid by employees.

Officials from the **Department of Insurance, Financial Institutions, and Professional Registration (DIFP)** state it is unknown how many high deductible policies are sold currently or will be sold in the future; therefore, the potential decrease in premium tax collection due to not collecting premium tax on high deductible insurance policy premiums is unknown. Premium tax revenue is split 50/50 between General Revenue and the County Foreign Insurance Fund except

ASSUMPTION (continued)

for domestic Stock Property and Casualty Companies who pay premium tax to the County Stock Fund. The County Foreign Insurance Fund is later distributed to school districts throughout the state. County Stock Funds are later distributed to the school district and county treasurer of the county in which the principal office of the insurer is located.

The DIFP estimates it will need \$100,000 for contractual costs to complete the national study of health savings accounts available in other states pursuant to 1376.1603.

The DIFP believes existing staff can implement other provisions of the proposal impacting the department. However, if the workload is such to require additional staff, additional staff and appropriations will be requested through the budget process.

**Oversight** assumes the provisions of the proposal, as it relates to state employee health plans, would become effective January 1, 2010.

| <u>FISCAL IMPACT - State Government</u>                      | FY 2011<br>(6 Mo.)                         | FY 2012                                    | FY 2013                                    |
|--|--|--|--|
| <b>GENERAL REVENUE FUND</b>                                  |  |  |  |
| <u>Costs - HCP</u>   |  |  |  |
| Increase in the state's share of employee insurance premiums | (Unknown)                                  | (Unknown)                                  | (Unknown)                                  |
| <u>Costs - DOR</u>   |  |  |  |
| Personal service costs (2.0 FTE)                             | (\$35,151)                                 | (\$46,925)                                 | (\$48,098)                                 |
| Fringe benefits  | (\$20,006)                                 | (\$24,607)                                 | (\$25,223)                                 |
| Equipment and expense  | <u>(\$34,306)</u>                          | <u>(\$1,036)</u>                           | <u>(\$1,068)</u>                           |
| Total Cost - DOR   | <u>(\$89,463)</u>                          | <u>(\$72,568)</u>                          | <u>(\$74,389)</u>                          |
| FTE Change - DOR   | 2 FTE                                      | 2 FTE                                      | 2 FTE                                      |
| <u>Loss - DIFP</u>   |  |  |  |
| Reduction in premium taxes collected                         | <u>(Unknown)</u>                           | <u>(Unknown)</u>                           | <u>(Unknown)</u>                           |
| <b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>          | <b><u>(Unknown exceeding \$89,463)</u></b> | <b><u>(Unknown exceeding \$72,568)</u></b> | <b><u>(Unknown exceeding \$74,389)</u></b> |

| <u>FISCAL IMPACT - State Government</u>                          | FY 2011<br>(6 Mo.)        | FY 2012                 | FY 2013                 |
|--|---------------------------|-------------------------|-------------------------|
| <b>COUNTY FOREIGN/COUNTY STOCK FUNDS</b>                         |                           |                         |                         |
| <u>Savings - DIFP</u>  |                           |                         |                         |
| Reduction in premium taxes transferred to counties               | Unknown                   | Unknown                 | Unknown                 |
| <u>Loss - DIFP</u>   |                           |                         |                         |
| Reduction in premium taxes collected                             | <u>(Unknown)</u>          | <u>(Unknown)</u>        | <u>(Unknown)</u>        |
| <b>ESTIMATED NET EFFECT ON COUNTY FOREIGN/COUNTY STOCK FUNDS</b> | <u><b>\$0</b></u>         | <u><b>\$0</b></u>       | <u><b>\$0</b></u>       |
| <b>INSURANCE DEDICATED FUND</b>                                  |                           |                         |                         |
| <u>Costs - DIFP</u>  |                           |                         |                         |
| Contractual costs for study                                      | <u>(\$100,000)</u>        | <u>\$0</u>              | <u>\$0</u>              |
| <b>ESTIMATED NET EFFECT ON INSURANCE DEDICATED FUND</b>          | <u><b>(\$100,000)</b></u> | <u><b>\$0</b></u>       | <u><b>\$0</b></u>       |
| <b>OTHER STATE FUNDS</b>   |                           |                         |                         |
| <u>Costs - HCP</u>   |                           |                         |                         |
| Increase in the state's share of employee insurance premiums     | <u>(Unknown)</u>          | <u>(Unknown)</u>        | <u>(Unknown)</u>        |
| <b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>                 | <u><b>(Unknown)</b></u>   | <u><b>(Unknown)</b></u> | <u><b>(Unknown)</b></u> |
| <b>FEDERAL FUNDS</b>   |                           |                         |                         |
| <u>Costs - HCP</u>   |                           |                         |                         |
| Increase in the state's share of employee insurance premiums     | <u>(Unknown)</u>          | <u>(Unknown)</u>        | <u>(Unknown)</u>        |
| <b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>                     | <u><b>(Unknown)</b></u>   | <u><b>(Unknown)</b></u> | <u><b>(Unknown)</b></u> |

FISCAL IMPACT - Local Government

FY 2011  
(6 Mo.)

FY 2012

FY 2013

**LOCAL GOVERNMENTS -  
SCHOOLS**

Loss - County Treasurers

Reduction in premium taxes for  
distribution to schools

(Unknown)

(Unknown)

(Unknown)

**ESTIMATED NET EFFECT ON  
LOCAL GOVERNMENTS -  
SCHOOLS**

(Unknown)

(Unknown)

(Unknown)

FISCAL IMPACT - Small Business

This proposal could impact small businesses either positively or negatively. If the small business has been providing health insurance coverage for employees, then the tax credit would have a positive impact. However, for small businesses that didn't provide health coverage but choose to as a result of the tax credit incentive, there may be a negative impact due to the cost of insurance premiums that were not paid for in the past.

FISCAL DESCRIPTION

This proposal proposes to amend several provisions of law related to the regulation of health insurance.

**TAX CREDIT FOR SMALL EMPLOYEES ENROLLED IN QUALIFIED HSA PLANS** - Under this proposal, small employers who employ less than 50 persons are allowed a tax credit in the amount of \$250 for each employee enrolled in a qualified health insurance plan. Under the proposal, a qualified health insurance plan is a health savings account eligible health plan (high deductible plan) that is combined with a health savings account in a manner provided by federal law. Under the act, the tax credit may be carried forward to the next 4 succeeding years (Section 135.349).

**EXEMPTION FROM STATE AND LOCAL PREMIUM TAXES FOR QUALIFIED HSA HEALTH INSURANCE PLANS** - This proposal provides an exemption from state and local insurance premium taxes for premiums paid on health savings account eligible plans (high deductible plans) that are sold in Missouri (Section 148.372).

HWC:LR:OD

FISCAL DESCRIPTION (continued)

CONTINUATION OF HEALTH INSURANCE COVERAGE FROM AGE 55 - Under this proposal, every group health insurance policy issued or renewed on or after January 1, 2011, must contain a provision that allows an employee or group member, whose continuation coverage under the federal COBRA law or state's continuation law has expired, to continue coverage under that group policy provided the employee or group member was 55 years or older when coverage under COBRA or the state continuation law expired. The extended continuation coverage provided by this proposal will terminate upon the earliest of the following: 1) The date the employee or group member fails to pay premiums; 2) The date the group policy is terminated as to all group members; 3) The date on which the employee or group member becomes insured under another group policy; 4) The date on which the employee or group member becomes eligible for coverage under the federal Medicare program; or 5) The date on which the employee or group member turns 65 (Section 376.437).

RATING OF MISSOURI CONTINUATION COVERAGE POLICIES - This proposal requires health insurance policies that are issued to individuals eligible for continuation coverage under state law to be pooled across all fully insured group business in Missouri. The experience of all persons covered by a continuation of coverage provision shall be pooled and spread over all fully insured premiums in Missouri on an equal percentage basis (Section 376.439).

CONTINUATION OF COVERAGE RIGHTS THROUGH A HSA ELIGIBLE HIGH DEDUCTIBLE HEALTH PLAN - This proposal requires health carriers who provide group insurance policies to persons who are exercising their continuation of coverage rights under COBRA or the state continuation of coverage law (Section 376.428) to offer such persons the option of continuation of coverage through a HSA eligible high deductible plan rather than the underlying group policy. The premiums for the HSA eligible high deductible plans shall be consistent with the underlying group plans rated relative to the standard or manual rates for the benefits provided (Section 376.443).

STUDY TO IDENTIFY ADMINISTRATIVE AND REGULATORY BARRIERS FOR NEW INSURANCE PRODUCTS - By January 1, 2011, the Director of the Department of Insurance, Financial Institutions and Professional Registration must provide recommendations to the General Assembly of changes to remove any unnecessary barriers that limit the entry of new health insurance products into the Missouri insurance market. The director must also examine proposals adopted in other states that streamline the regulatory processes to allow insurance companies to market new and existing products more easily (Section 376.1618).

PROMOTION AND APPROVAL OF HSA HEALTH PLANS - Under the proposal, the Director of the Department of Insurance is expressly authorized to adopt policies to promote, approve, and encourage health savings account eligible high deductible plans in Missouri. The proposal directs the director to conduct a national study of health savings account eligible high deductible health



FISCAL DESCRIPTION (continued)

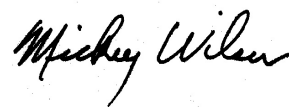
plans available in other states and determine if and how these plans serve the uninsured. The proposal also directs the Director to develop a fast track approval process for health savings account eligible high deductible plans (Section 376.1603).

**HEALTH MANAGEMENT AND DISEASE MANAGEMENT PROGRAMS IN QUALIFIED HSA PLANS** - This proposal expressly allows health carriers to include wellness and health promotion programs, condition or disease management programs, health risk appraisal programs, and similar provisions in high deductible plans that comport with federal law. The programs must be approved by the department. Health carriers that include such programs in high deductible plan shall not be considered to be in engaging in unfair trade practices (Section 376.1609).

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Insurance, Financial Institutions, and Professional Registration  
Department of Revenue  
Missouri Department of Transportation  
Department of Public Safety -  
    Missouri State Highway Patrol  
Missouri Consolidated Health Care Plan  
Missouri Department of Conservation  
Office of Secretary of State



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